

Council weighs charter's tax limit

■ Some members say limit likely to be exceeded

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The County Council did not rule out exceeding the charter limit on property tax revenues during an overview of the fiscal 2009 budget on Tuesday, although the members agreed to try to remain as close as possible to the existing standard to limit the effect on taxpayers.

The council faces a tough two months of deliberations on a proposed \$4.3 billion budget amid a declining economy and local revenues, while balancing services for the county's 1 million residents.

At the top of the consideration list is a proposal included in County Executive Isaiah Leggett's budget recommendation to exceed the charter limit on property tax revenues by \$137.8 million to increase revenues to fund the budget to make up for other tax collections that have declined.

Leggett (D) proposed combining the 7.5-cent increase in the property tax rate with a \$1,014 credit for homeowners.

Taxes would increase by about \$136, or 6.2 percent, for a house valued at \$343,000, the median value in the county.

For commercial properties, including rental housing, the rate increase would raise tax bills in the range of 20 percent.

The county charter limits property tax revenue to increase at the rate of inflation plus new development. To exceed the limit, seven council members must agree.

"I think it's unrealistic to say we're not going to go there. It's just a matter of how much we're going to go there," said Councilman Marc Elrich (D-At Large) of Takoma Park.

"... I see no way that we could make up this money other than magic, and I don't believe in magic."

With property assessments rising, two members of the council's finance committee tentatively decided not to exceed the charter limit by cutting tax rates.

However, with the county facing a nearly \$300 million budget shortfall next year, to generate

the revenues, the council is left with few options.

As part of the budget overview, council members were advised that county revenues can no longer sustain the spending pace of government, which is up more than 80 percent in the last decade. Leggett's fiscal 2009 budget is a 3.9 percent increase over the current year's budget.

Before submitting his budget proposal, Leggett used a variety of cuts and reductions in the county government and other agencies to close an initial \$401 million budget gap.

"There is not one way to skin this cat," said Councilwoman Valerie Ervin (D-Dist. 5) of Silver Spring. "We are going to have some kind of property tax increase, maybe not as great as what the county executive wants, but some kind."

In a meeting with reporters on Monday, Council President Michael J. Knapp was undecided on whether to support exceeding the charter limit.

Knapp said many people have discussed the importance of services the county provides, such as drug rehabilitation for those in need.

"There's an inclination to try to provide funds for those types of resources," said Knapp (D-Dist. 2) of Germantown.

On Tuesday, he introduced a "placeholder" proposal to increase fuel tax rates on suppliers, which would generate \$11.1 million.

"Yes this is a tough situation. Yes there are some hard choices, but they are not so difficult choices that council has made in the past," said Stephen B. Farber, council staff director who presented the overview, and reminded the council about tougher budget deliberations in previous years.

In addition to those years, Montgomery County is better off this year than other jurisdictions that have had to resort to even more drastic measures to balance their budgets.

Northern Virginia counties are left to balance their budgets without a local income tax and a different property tax assessment schedule. Fairfax County's proposed budget called for flat spending on schools and government services and cuts in salary increases.

County Council committees are deliberating on department budgets in preparation for full council discussions and budget approval in late May.

A public hearing on the \$1,014 property tax credit is scheduled for May 6.

Staff writer C. Benjamin Ford contributed to this report.



Leggett



Elrich